

FREMONT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Larry Crosby	President	2006
Bryan Archer	Vice President	2008
Diane Darland	Board Member	2007
Gary Mitterer	Board Member	2007
Melissa Gingrich	Board Member	2008

Board of Education (After September 2006 Election)		
Gary Mitterer	President	2007
Bryan Archer	Vice President	2008
Diane Darland	Board Member	2007
Melissa Gingrich	Board Member	2008
Jason Walker	Board Member	2009

School Officials		
Dr. Dean Cook	Superintendent	2007
Nancy Rutledge	District Secretary	2007
Brian Gruhn	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2008 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,746,000 in fiscal 2006 to \$1,858,334 in fiscal 2007, while General Fund expenditures increased from \$1,812,110 in fiscal 2006 to \$1,838,585 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$50,964 in fiscal 2006 to a balance of \$80,641 in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in state revenues in fiscal 2007. The increase in expenditures can be attributed to the special instruction functional area.
- An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund to increase from \$8,332 in fiscal year 2006 to \$11,773 in fiscal year 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fremont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fremont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fremont Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Fremont Community School District Annual Financial Report

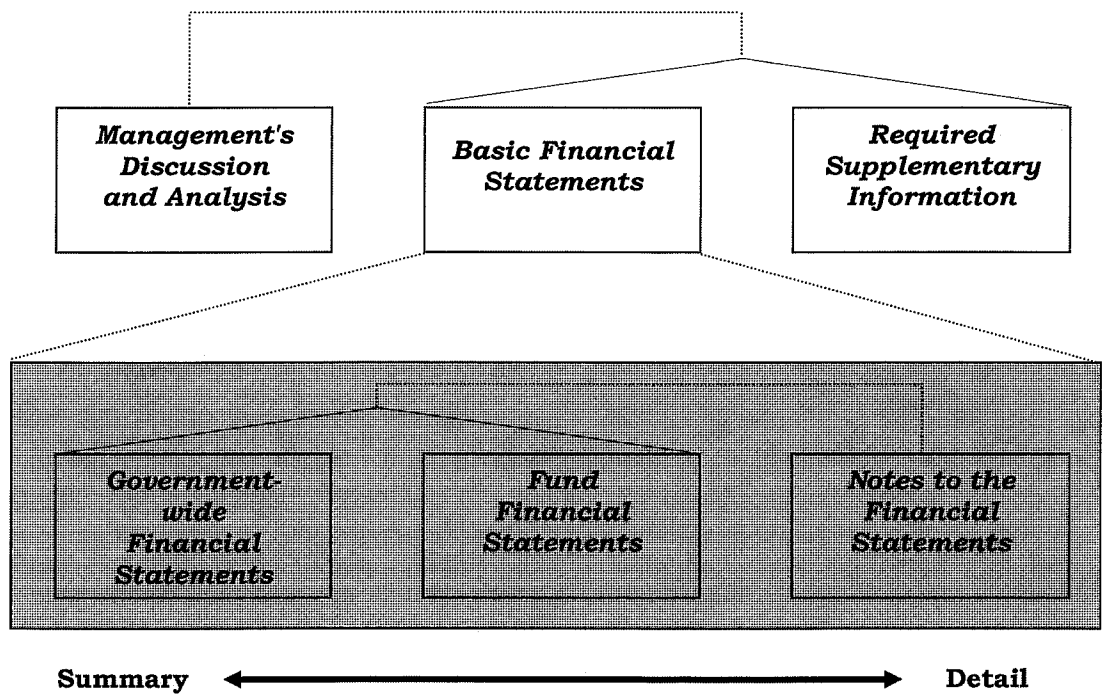


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 1,358,833	1,313,178	82,950	75,033	1,441,783	1,388,211	3.86%
Capital assets	1,201,869	1,302,152	8,988	7,303	1,210,857	1,309,455	-7.53%
Total assets	2,560,702	2,615,330	91,938	82,336	2,652,640	2,697,666	-1.67%
Long-term obligations	760,000	825,000	0	0	760,000	825,000	-7.88%
Other liabilities	868,445	933,160	7,937	699	876,382	933,859	-6.15%
Total liabilities	1,628,445	1,758,160	7,937	699	1,636,382	1,758,859	-6.96%
Net assets:							
Invested in capital assets, net of related debt	441,869	600,578	8,988	7,303	450,857	607,881	-25.83%
Restricted	399,065	221,361	0	0	399,065	221,361	80.28%
Unrestricted	91,323	35,231	75,013	74,334	166,336	109,565	51.81%
Total net assets	\$ 932,257	857,170	84,001	81,637	1,016,258	938,807	8.25%

The District's combined net assets increased by \$77,451, or 8.25% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$177,704, or 80.28% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$56,771, or 51.81%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 190,177	278,847	142,526	142,015	332,703	420,862	-20.95%
Operating grants and contributions and restricted interest	269,585	259,637	38,031	32,096	307,616	291,733	5.44%
General revenues:							
Property tax	679,226	640,327	0	0	679,226	640,327	6.07%
Local option sales and service tax	160,484	136,480	0	0	160,484	136,480	17.59%
Unrestricted state grants	776,856	636,285	0	0	776,856	636,285	22.09%
Other	17,201	8,682	210	194	17,411	8,876	96.16%
Transfers	(3,061)	0	3,061	0	0	0	0.00%
Total revenues	2,090,468	1,960,258	183,828	174,305	2,274,296	2,134,563	6.55%
Program expenses:							
Governmental activities:							
Instructional	1,305,201	1,282,254	0	0	1,305,201	1,282,254	1.79%
Support services	551,612	569,907	0	0	551,612	569,907	-3.21%
Non-instructional programs	2,841	0	181,464	161,369	184,305	161,369	14.21%
Other expenses	155,727	146,307	0	0	155,727	146,307	6.44%
Total expenses	2,015,381	1,998,468	181,464	161,369	2,196,845	2,159,837	1.71%
Change in net assets	75,087	(38,210)	2,364	12,936	77,451	(25,274)	406.45%
Net assets beginning of year	857,170	895,380	81,637	68,701	938,807	964,081	-2.62%
Net assets end of year	\$ 932,257	857,170	84,001	81,637	1,016,258	938,807	8.25%

In fiscal 2007, property tax and unrestricted state grants account for 69.7% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.2% of the revenue from business type activities.

The District's total revenues were approximately \$2.27 million of which \$2.09 million was for governmental activities and less than \$0.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.55% increase in revenues and a 1.71% increase in expenses. Unrestricted state grants increased \$140,571 to fund increases in expenditures.

Governmental Activities

Revenues for governmental activities were \$2,090,468 and expenses were \$2,015,381.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 1,305,201	1,282,254	1.79%	905,712	796,238	13.75%
Support services	551,612	569,907	-3.21%	551,612	569,907	-3.21%
Non-instructional	2,841	0	100.00%	2,841	0	100.00%
Other expenses	155,727	162,105	-3.93%	95,454	93,839	1.72%
Totals	<u>\$ 2,015,381</u>	<u>2,014,266</u>	<u>0.06%</u>	<u>1,555,619</u>	<u>1,459,984</u>	<u>6.55%</u>

- The cost financed by users of the District's programs was \$190,177.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$269,585.
- The net cost of governmental activities was financed with \$679,226 in local property taxes, \$160,484 in local option sales and service tax, \$776,856 in unrestricted state grants, and \$15,196 in interest income.

Business-Type Activities

Revenues and transfer of the District's business-type activities were \$183,828 and expenses were \$181,464. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fremont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$460,405 compared to last year's ending fund balances of \$367,199.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state grants caused the increase in revenues. The increase in revenues was enough to offset the increase in expenditures resulting in a General Fund balance to increase by \$29,677.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$78,693 to \$91,871 in fiscal 2007 due to decreased expenditures when compared to fiscal 2006.
- The Capital Projects fund balance increased from \$142,796 in fiscal 2006 to \$221,580 in fiscal 2007 primarily because of the smaller transfer from Capital Projects to the Debt Service Fund to pay long term debt for the District as well as a decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$24,895 at June 30, 2006 to \$32,231 at June 30, 2007, while the Day Care Fund net assets decreased from \$56,742 to \$51,770. This represents a net increase of approximately 2.9%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$66,715 less than budgeted revenues, a variance 2.8%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,210,857, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.5% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$101,659.

The original cost of the District's capital assets was \$1,969,844. Governmental funds account for \$1,957,613 with the remainder of \$12,231 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,094,536 at June 30, 2007 compared to \$1,158,034 at June 30, 2006. The decrease is due to the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 27,500	27,500	0	0	27,500	27,500	0.0%
Buildings	1,094,536	1,158,034	0	0	1,094,536	1,158,034	-5.5%
Improvements other than buildings	17,939	19,167	0	0	17,939	19,167	-6.4%
Machinery and equipment	61,894	97,451	8,988	7,303	70,882	104,754	-32.3%
Total	\$ 1,201,869	1,302,152	8,988	7,303	1,210,857	1,309,455	-7.5%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$760,000 in general obligation bonds. This represents a decrease of approximately 7.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 760,000	825,000	-7.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The increase of 3 students to the District for fiscal 2008 provided a boost to General Fund revenues. If the District can maintain or possibly increase enrollment over the following years, this will definitely help the District to maintain stability.
- The daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to maintain the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelly Anderson, Business Manager/Board Secretary, Fremont Community School District, 525 East Main Street, Fremont, Iowa, 52561.

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 544,098	62,226	606,324
Receivables:			
Property tax:			
Delinquent	8,776	0	8,776
Succeeding year	651,549	0	651,549
Income surtax	34,754	0	34,754
Accounts	3,043	20,279	23,322
Due from other governments	115,700	0	115,700
Prepaid expenses	913	0	913
Inventories	0	445	445
Capital assets, net of accumulated depreciation (Note 4)	1,201,869	8,988	1,210,857
Total Assets	2,560,702	91,938	2,652,640
Liabilities			
Accounts payable	74,110	1,014	75,124
Salaries and benefits payable	122,017	6,923	128,940
Due to other governments	13,498	0	13,498
Interest payable	4,771	0	4,771
Deferred revenue:			
Succeeding year property tax	651,549	0	651,549
Other	2,500	0	2,500
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	80,000	0	80,000
Portion due after one year:			
General obligation bonds payable	680,000	0	680,000
Total Liabilities	1,628,445	7,937	1,636,382
Net Assets			
Invested in capital assets, net of related debt	441,869	8,988	450,857
Restricted for:			
Beginning teacher mentoring	344	0	344
Market factor	1,267	0	1,267
Salary improvement program	324	0	324
Early intervention	5,756	0	5,756
Talented and gifted	11,610	0	11,610
Management Levy	30,097	0	30,097
Physical plant and equipment levy	91,871	0	91,871
Debt service	4,546	0	4,546
Capital projects	221,580	0	221,580
Other special revenue purposes	31,670	0	31,670
Unrestricted	91,323	75,013	166,336
Total Net Assets	\$ 932,257	84,001	1,016,258

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,046,408	171,460	198,261	(676,687)	0	(676,687)
Special instruction	240,540	0	11,051	(229,489)	0	(229,489)
Other instruction	18,253	18,717	0	464	0	464
	1,305,201	190,177	209,312	(905,712)	0	(905,712)
Support services:						
Student services	5,592	0	0	(5,592)	0	(5,592)
Instructional staff services	29,525	0	0	(29,525)	0	(29,525)
Administration services	254,139	0	0	(254,139)	0	(254,139)
Operation and maintenance of plant services	166,257	0	0	(166,257)	0	(166,257)
Transportation services	96,099	0	0	(96,099)	0	(96,099)
	551,612	0	0	(551,612)	0	(551,612)
Non-instructional programs	2,841	0	0	(2,841)	0	(2,841)
Other expenditures:						
Long-term debt interest and fiscal charges	30,728	0	0	(30,728)	0	(30,728)
AEA flowthrough	60,273	0	60,273	0	0	0
Depreciation (unallocated)*	64,726	0	0	(64,726)	0	(64,726)
	155,727	0	60,273	(95,454)	0	(95,454)
Total governmental activities	2,015,381	190,177	269,585	(1,555,619)	0	(1,555,619)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	63,711	29,955	38,031	0	4,275	4,275
Daycare	117,753	112,571	0	0	(5,182)	(5,182)
Total business-type activities	181,464	142,526	38,031	0	(907)	(907)
Total	\$ 2,196,845	332,703	307,616	(1,555,619)	(907)	(1,556,526)
General Revenues and Transfers:						
General revenues:						
Local tax for:						
General purposes			\$ 632,758	0	632,758	
Capital outlay			14,455	0	14,455	
Debt service			32,013	0	32,013	
Local option sales and services			160,484	0	160,484	
Unrestricted state grants			776,856	0	776,856	
Unrestricted investment earnings			15,196	210	15,406	
Other general revenues			2,005	0	2,005	
Transfers			(3,061)	3,061	0	
Total general revenues and transfers			1,630,706	3,271	1,633,977	
Changes in net assets			75,087	2,364	77,451	
Net assets beginning of year			857,170	81,637	938,807	
Net assets end of year			\$ 932,257	84,001	1,016,258	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Physical Plant & Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 200,588	91,659	188,882	62,969	544,098
Receivables:					
Property tax					
Delinquent	8,122	212	0	442	8,776
Succeeding year	550,021	61,528	0	40,000	651,549
Income surtax	34,754	0	0	0	34,754
Other	0	0	0	0	0
Accounts	141	0	0	2,902	3,043
Due from other funds	0	0	0	0	0
Due from other governments	83,002	0	32,698	0	115,700
Prepaid expenses	913	0	0	0	913
Total Assets	\$ 877,541	153,399	221,580	106,313	1,358,833
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 74,110	0	0	0	74,110
Salaries and benefits payable	122,017	0	0	0	122,017
Due to other governments	13,498	0	0	0	13,498
Due to other funds	0	0	0	0	0
Deferred revenue:					
Succeeding year property tax	550,021	61,528	0	40,000	651,549
Income surtax	34,754	0	0	0	34,754
Other	2,500	0	0	0	2,500
Total liabilities	796,900	61,528	0	40,000	898,428
Fund balances:					
Reserved for:					
Debt Service	0	0	0	4,546	4,546
Prepaid expenses	913	0	0	0	913
Beginning teacher mentoring	344	0	0	0	344
Market factor	1,267	0	0	0	1,267
Salary improvement program	324	0	0	0	324
Early intervention	5,756	0	0	0	5,756
Talented and gifted	11,610	0	0	0	11,610
Unreserved	60,427	91,871	221,580	61,767	435,645
Total fund balances	80,641	91,871	221,580	66,313	460,405
Total Liabilities and Fund Balances	\$ 877,541	153,399	221,580	106,313	1,358,833

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 460,405
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,201,869
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,771)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(760,000)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>34,754</u>
Net assets of governmental activities (page 13)	<u><u>\$ 932,257</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Physical Plant & Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 629,331	14,455	160,484	32,875	837,145
Tuition	79,228	0	0	0	79,228
Other	103,361	1,806	0	22,983	128,150
State sources	963,647	9	0	18	963,674
Federal sources	82,767	0	0	0	82,767
Total revenues	1,858,334	16,270	160,484	55,876	2,090,964
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,039,528	0	0	0	1,039,528
Special instruction	240,540	0	0	0	240,540
Other instruction	1,202	0	0	17,051	18,253
	1,281,270	0	0	17,051	1,298,321
Support services:					
Student services	5,592	0	0	0	5,592
Instructional staff services	29,525	0	0	0	29,525
Administration services	245,422	3,061	0	2,158	250,641
Operation and maintenance of plant services	144,976	0	0	23,561	168,537
Transportation services	68,686	0	0	2,984	71,670
	494,201	3,061	0	28,703	525,965
Non-instructional programs	2,841	0	0	0	2,841
Other expenditures:					
Facilities acquisitions	0	31	0	0	31
Long-term debt:					
Principal	0	0	0	65,000	65,000
Interest and fiscal charges	0	0	0	45,327	45,327
AEA flowthrough	60,273	0	0	0	60,273
	60,273	31	0	110,327	170,631
Total expenditures	1,838,585	3,092	0	156,081	1,997,758
Excess(deficiency) of revenues over(under) expenditures	19,749	13,178	160,484	(100,205)	93,206
OTHER FINANCING SOURCES(USES):					
Transfer in	9,928	0	0	81,700	91,628
Transfer out	0	0	(81,700)	(9,928)	(91,628)
TOTAL OTHER FINANCING SOURCES(USES)	9,928	0	(81,700)	71,772	0
Net change in fund balances	29,677	13,178	78,784	(28,433)	93,206
Fund balance beginning of year	50,964	78,693	142,796	94,746	367,199
Fund balance end of year	\$ 80,641	91,871	221,580	66,313	460,405

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17)	\$	93,206
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense in the current year is as follows:		(100,283)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		65,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		14,599
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		2,565
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Changes in net assets of governmental activities (page 14)	\$	<u>75,087</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 20,919	41,307	62,226
Accounts receivable	2,220	18,059	20,279
Inventories	445	0	445
Capital assets, net of accumulated depreciation (Note 4)	8,988	0	8,988
Total Assets	32,572	59,366	91,938
Liabilities			
Accounts payable	119	895	1,014
Salaries and benefits payable	222	6,701	6,923
Total Liabilities	341	7,596	7,937
Net Assets			
Invested in capital assets	8,988	0	8,988
Unrestricted	23,243	51,770	75,013
Total Net Assets	\$ 32,231	51,770	84,001

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Charges for services	\$ 29,955	112,571	142,526
TOTAL OPERATING REVENUES	29,955	112,571	142,526
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	23,357	94,937	118,294
Benefits	3,559	12,260	15,819
Services	452	4,659	5,111
Supplies	34,967	5,451	40,418
Depreciation	1,376	0	1,376
Other	0	446	446
TOTAL OPERATING EXPENSES	63,711	117,753	181,464
OPERATING LOSS	(33,756)	(5,182)	(38,938)
NON-OPERATING REVENUES:			
Interest income	0	210	210
State sources	973	0	973
Federal sources	37,058	0	37,058
TOTAL NON-OPERATING REVENUES	38,031	210	38,241
Net income(loss) before capital contributions	4,275	(4,972)	(697)
Capital contributions	3,061	0	3,061
Change in net assets	7,336	(4,972)	2,364
Net assets at beginning of year	24,895	56,742	81,637
Net assets end of year	\$ 32,231	51,770	84,001

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 27,500	0	27,500
Cash received from miscellaneous operating activities	235	118,152	118,387
Cash payments to employees for services	(26,694)	(100,496)	(127,190)
Cash payments to suppliers for goods or services	(32,705)	(10,360)	(43,065)
Net cash provided by (used in) operating activities	(31,664)	7,296	(24,368)
Cash flows from non-capital financing activities:			
State grants received	973	0	973
Federal grants received	34,497	0	34,497
Net cash provided by non-capital financing activities	35,470	0	35,470
Cash flows from investing activities:			
Interest on investments	0	210	210
Net cash provided by investing activities	0	210	210
Net increase in cash and cash equivalents	3,806	7,506	11,312
Cash and cash equivalents at beginning of year	17,113	33,801	50,914
Cash and cash equivalents at end of year	\$ 20,919	41,307	62,226
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (33,756)	(5,182)	(38,938)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Commodities consumed	2,561	0	2,561
Depreciation	1,376	0	1,376
Decrease in inventories	34	0	34
(Increase) Decrease in accounts receivables	(2,220)	5,581	3,361
Increase in accounts payable	119	196	315
Increase in salaries and benefits payable	222	6,701	6,923
Net cash provided by (used in) operating activities	\$ (31,664)	7,296	(24,368)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 20,919	41,307	62,226

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$2,561.

During the year ended June 30, 2007, the Nutrition Fund received contributed capital valued at \$3,061 from the Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight and special education pre-kindergarten. The geographic area served includes the City of Fremont, Iowa, and the predominate agricultural territory in Keokuk, Mahaska, and Wapello Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fremont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fremont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is a no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The Physical Plant and Equipment Levy Fund (PPEL) is used for maintenance and operation of the District's buildings and for purchase of certain items of equipment.

The District's proprietary funds include the School Nutrition Fund and the School Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for child care services for the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 208,608

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 81,700
General	Special Revenue - Student Activity	9,928
Total		<u>\$ 91,628</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	27,500	0	0	27,500
Total capital assets not being depreciated	27,500	0	0	27,500
Capital assets being depreciated:				
Buildings	1,662,733	0	0	1,662,733
Improvements other than buildings	20,593	0	0	20,593
Machinery and equipment	246,787	0	0	246,787
Total capital assets being depreciated	1,930,113	0	0	1,930,113
Less accumulated depreciation for:				
Buildings	504,699	63,498	0	568,197
Improvements other than buildings	1,426	1,228	0	2,654
Machinery and equipment	149,336	35,557	0	184,893
Total accumulated depreciation	655,461	100,283	0	755,744
Total capital assets being depreciated, net	1,274,652	(100,283)	0	1,174,369
Governmental activities capital assets, net	\$ 1,302,152	(100,283)	0	<u>1,201,869</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 9,170	3,061	0	12,231
Less accumulated depreciation	1,867	1,376	0	3,243
Business-type activities capital assets, net	<u>\$ 7,303</u>	<u>1,685</u>	<u>0</u>	<u>8,988</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 6,880

Support services:

Administration staff 3,498

Operation and maintenance of plant services 750

Transportation 24,429

35,557

Unallocated depreciation 64,726

Total governmental activities depreciation expense \$ 100,283

Business-type activities:

Food services \$ 1,376

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 825,000	0	65,000	760,000	80,000

General Obligation Bonds Payable

Details of the District's June 30, 2007 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue February 1, 2006		
		Principal	Interest	Total
2008	3.40 %	\$ 80,000	28,627	108,627
2009	3.50	80,000	25,907	105,907
2010	3.60	85,000	23,107	108,107
2011	3.70	85,000	20,048	105,048
2012	3.80	90,000	16,903	106,903
2013	3.90	95,000	13,483	108,483
2014	3.95	95,000	9,778	104,778
2015	4.05	100,000	6,025	106,025
2016	4.00	50,000	2,025	52,025
Total		\$ 760,000	145,903	905,903

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$47,879, \$44,799, and \$42,776, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2007 totaled \$3,856.

Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$60,273 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Bond Defeasement

On February 23, 2006, the District issued \$760,000 in general obligation bonds to advance refund \$740,000 of outstanding general obligation bonds dated May 1, 1997. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2007, \$760,000 of such bonds is outstanding. The escrow fund pays interest on the new advance refunding bonds until that time. Defeasement of principal and interest for the year was \$0 and \$35,784.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,044,523	142,736	1,187,259	1,258,260	1,258,260	(71,001)
State sources	963,674	973	964,647	933,186	933,186	31,461
Federal sources	82,767	37,058	119,825	147,000	147,000	(27,175)
Total revenues	2,090,964	180,767	2,271,731	2,338,446	2,338,446	(66,715)
Expenditures:						
Instruction	1,298,321	0	1,298,321	1,489,738	1,489,738	191,417
Support services	525,965	0	525,965	680,772	680,772	154,807
Non-instructional programs	2,841	181,464	184,305	265,731	265,731	81,426
Other expenditures	170,631	0	170,631	391,528	391,528	220,897
Total expenditures	1,997,758	181,464	2,179,222	2,827,769	2,827,769	648,547
Excess(deficiency) of revenues over(under) expenditures	93,206	(697)	92,509	(489,323)	(489,323)	581,832
Other financing sources, net	0	3,061	3,061	(1)	(1)	3,062
Excess(deficiency) of revenues and other financing sources over(under) expenditures	93,206	2,364	95,570	(489,324)	(489,324)	584,894
Balance beginning of year	367,199	81,637	448,836	504,324	504,324	(55,488)
Balance end of year	\$ 460,405	84,001	544,406	15,000	15,000	529,406

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds			Total	
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 27,195	31,670	58,865	4,104	62,969
Receivables:					
Property tax:					
Current year delinquent	0	0	0	442	442
Succeeding year	40,000	0	40,000	0	40,000
Accounts	2,902	0	2,902	0	2,902
Total Assets	\$ 70,097	31,670	101,767	4,546	106,313
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 40,000	0	40,000	0	40,000
Total liabilities	40,000	0	40,000	0	40,000
Fund Balances:					
Reserved for:					
Debt Service	0	0	0	4,546	4,546
Unreserved	30,097	31,670	61,767	0	61,767
Total fund balances	30,097	31,670	61,767	4,546	66,313
Total Liabilities and Fund Balances	\$ 70,097	31,670	101,767	4,546	106,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 862	0	862	32,013	32,875
Other	3,124	18,717	21,841	1,142	22,983
State sources	0	0	0	18	18
TOTAL REVENUES	3,986	18,717	22,703	33,173	55,876
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	0	17,051	17,051	0	17,051
Support services:					
Administration services	2,158	0	2,158	0	2,158
Operation and maintenance of plant services	23,561	0	23,561	0	23,561
Transportation services	2,984	0	2,984	0	2,984
	28,703	0	28,703	0	28,703
Other expenditures:					
Long-term debt:					
Principal	0	0	0	65,000	65,000
Interest and fiscal charges	0	0	0	45,327	45,327
	0	0	0	110,327	110,327
TOTAL EXPENDITURES	28,703	17,051	45,754	110,327	156,081
Excess(deficiency) of revenues over(under) expenditures	(24,717)	1,666	(23,051)	(77,154)	(100,205)
Other financing sources(uses):					
Transfers in	0	0	0	81,700	81,700
Transfers out	0	(9,928)	(9,928)	0	(9,928)
Total other financing sources(uses)	0	(9,928)	(9,928)	81,700	71,772
Net change in fund balance	(24,717)	(8,262)	(32,979)	4,546	(28,433)
Fund balance beginning of year	54,814	39,932	94,746	0	94,746
Fund balance end of year	\$ 30,097	31,670	61,767	4,546	66,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
ELP - Tag Activities	\$ 625	0	625	0
6th Grade Activities	(71)	0	(500)	429
7th Grade Activities	(1)	0	(500)	499
8th Grade Activities	(45)	0	(176)	131
Student Council	(585)	1,584	(1,021)	2,020
Yearbook	856	1,095	(1,485)	3,436
District - Wide Activities	25,146	(21)	19,344	5,781
Book Fair	(2,298)	4,436	645	1,493
Fundraiser	677	(40)	(3,000)	3,637
Sports	3,376	0	(1,700)	5,076
Cafeteria Benefits Plan	4,132	0	4,132	0
Afterschool	(168)	0	(168)	0
LIKE	5,601	0	5,601	0
Garden	69	0	(59)	128
MS Trip	1,920	9,359	3,141	8,138
Resale	189	0	0	189
Blue Jean	293	0	293	0
Fund Balance	216	2,304	1,807	713
Total	\$ 39,932	18,717	26,979	31,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 837,145	780,046	735,887	765,780
Tuition	79,228	139,554	68,310	75,534
Other	128,150	154,275	63,733	60,527
Intermediate sources	0	0	4,596	0
State sources	963,674	780,487	729,875	691,071
Federal sources	82,767	108,785	115,611	36,541
Total	<u>\$ 2,090,964</u>	<u>1,963,147</u>	<u>1,718,012</u>	<u>1,629,453</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,039,528	1,063,887	947,368	920,401
Special instruction	240,540	174,150	172,113	254,925
Other instruction	18,253	42,497	26,834	21,042
Support services:				
Student services	5,592	16,900	4,900	4,693
Instructional staff services	29,525	38,360	36,270	33,975
Administration services	250,641	277,925	152,025	184,048
Operation and maintenance of plant services	168,537	157,972	130,981	241,780
Transportation services	71,670	64,763	106,917	33,222
Non-instructional	2,841	0	0	18,568
Other expenditures:				
Facilities acquisitions	31	18,891	17,247	0
Long Term Debt:				
Principal	65,000	60,000	55,000	50,000
Interest and fiscal charges	45,327	47,914	50,662	53,100
AEA flow-through	60,273	52,468	52,202	53,473
Total	<u>\$ 1,997,758</u>	<u>2,015,727</u>	<u>1,752,519</u>	<u>1,869,227</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fremont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fremont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fremont Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fremont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fremont Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fremont Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fremont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fremont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Fremont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont Community School District and other parties to whom Fremont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2008

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response -The District will review the policy and structure for possible adjustments in duties.

Conclusion -Response accepted.

- I-B-07 Accounting Records - It was noted during the audit that there was a bank account that was not being accounted for within the District software system.

Recommendation - The District should add the insurance bank account onto the accounting software. The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The District will add the insurance bank account onto the accounting software effective July 1, 2008. The District will then reconcile monthly with the bank statement balances.

Conclusion - Response accepted.

- I-C-07 Compensated Absences - The District appears to maintain records for unused vacation, however, the board policy states "vacation will not be accrued from year to year without prior arrangement with the Superintendent." There does not appear to be any documentation of approval of unused vacation to the next year, therefore the June 30, 2007 balances should not be carried over to July 1, 2007.

Recommendation - The District should review their policies and procedures to ensure that the vacation balances are approved to be carried over by the Superintendent and the Board or the balance are cleared out at year end.

Response - Procedures are in place to assure superintendent approval and written documentation for carryover of unused vacation time.

Conclusion - Response accepted.

- I-D-07 Overtime Pay - We noted during the audit that the District currently has employees who are consistently working overtime. The need for overtime hours appears to be consistent, therefore, the District, by paying overtime rates, has an increased cost of labor. The District should consider the necessity of the overtime hours and possible alternatives to avoid paying a higher cost of labor.

We also noted instances of overtime being approved by the same person who is taking the overtime.

Recommendation - The District should review overtime pay to employees. The consistency of overtime hours claimed indicates the District should consider alternatives to avoid paying higher wages to complete routine work. The District should conduct time studies to indicate the work needed to be completed taking into account the necessity of overtime hours as well as the cost of overtime hours. Once time studies are completed, then assignments can be made to personnel with available time or a part-time employee could be hired. This way the District could avoid paying overtime. If additional duties are deemed necessary, then someone other than the individual receiving the compensation should be approving the additional wages.

Response - The District will be correcting the current practice of paying overtime by either eliminating certain duties or assigning to another staff by July 1, 2008.

Conclusion - Response accepted.

- I-E-07 Student Activity Funds - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

There is an unreserved fund balance account and a field trip account. There should not be an unreserved fund balance within the Student Activity Fund. The majority of the revenues and expenditures associated with both accounts deal with field trips. Any revenues or expenditures associated with field trips should be run through the General Fund. The balance in both of these accounts should be transferred to the General Fund.

There is a District-wide Activities account, a Garden account and a Bookfair account. The revenues and expenditures in these accounts appear more instructional in nature and should be run through the General Fund. The balance in these accounts should be transferred to the General Fund.

The District needs to look at the appropriateness of the Resale account, Sports account and the Fundraiser account. There were revenues or expenditures coded to these accounts and should be reviewed for inactivity. The Fundraiser should be closed out and any further fundraisers should go to the group that is performing the fundraiser.

Response - The District will work with the auditors to put the accounts to their proper use. In the past, these monies were held separate for reasons that may no longer be advisable. Guidance from the auditors will be very helpful in this area.

Conclusion - Response accepted.

- I-F-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or posting of the commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The new Board Secretary will be attending training by Software Unlimited focusing on end of fiscal year practices.

Conclusion - Response accepted.

- I-G-07 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books.

Response - The District has procedures in place which terminate in collection through Small Claims Court. No account balances are written off before all procedures are exhausted.

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Mitterer, Board President Owner of Country Store	School supplies	\$2,202
Dennis Paxton, Janitor	Mowing services	\$537
Deb Paxton, Custodian Brother Jayme performs services	Stop Sign Attendent	\$1,810

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Mitterer do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the brother of Deb Paxton does not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the Mr. Paxton does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response – The Board Secretary will issue the minutes to the newspaper within two weeks as required by 279.35 of the Code of Iowa, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

- II-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2006 was overstated by 1 student. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.